GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1681
ANSWERED ON:25.11.2016
MFIs Regulatory Mechanism
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has any regulatory mechanism on Micro Finance Institutions operating in private sector;
(b) if so, the details thereof; and
(c) if not, the reasons for delaying implementation of regulatory mechanism to control private Micro Finance Institutions?

Answer

(MINISTER OF STATE IN THE MINISTRY OF FINANCE)

(a) to (c): Micro Finance Institutions (MFIs) in India can operate in different forms- Non-Banking Financial Companies - Micro Finance Institutions (NBFC-MFIs), Trusts, Societies etc. Depending upon the nature of organisational structure, ownership, level of operations etc., MFIs are regulated under extant laws and guidelines of the Reserve Bank of India (RBI) and money lending laws of State Governments.

RBI regulates microfinance entities which are having corporate (company) legal structures i.e. NBFC-MFIs. NBFC-MFIs are regulated by RBI under the provisions of Chapter IIIB of the RBI Act, 1934. RBI has issued regulatory guidelines and Fair Practice Code for these NBFC-MFIs. RBI has given recognition to two Self Regulatory Organisations (SROs). MFIs which are members of these Self Regulatory Organisations (SROs) also adhere to a voluntary industry Code of Conduct.
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